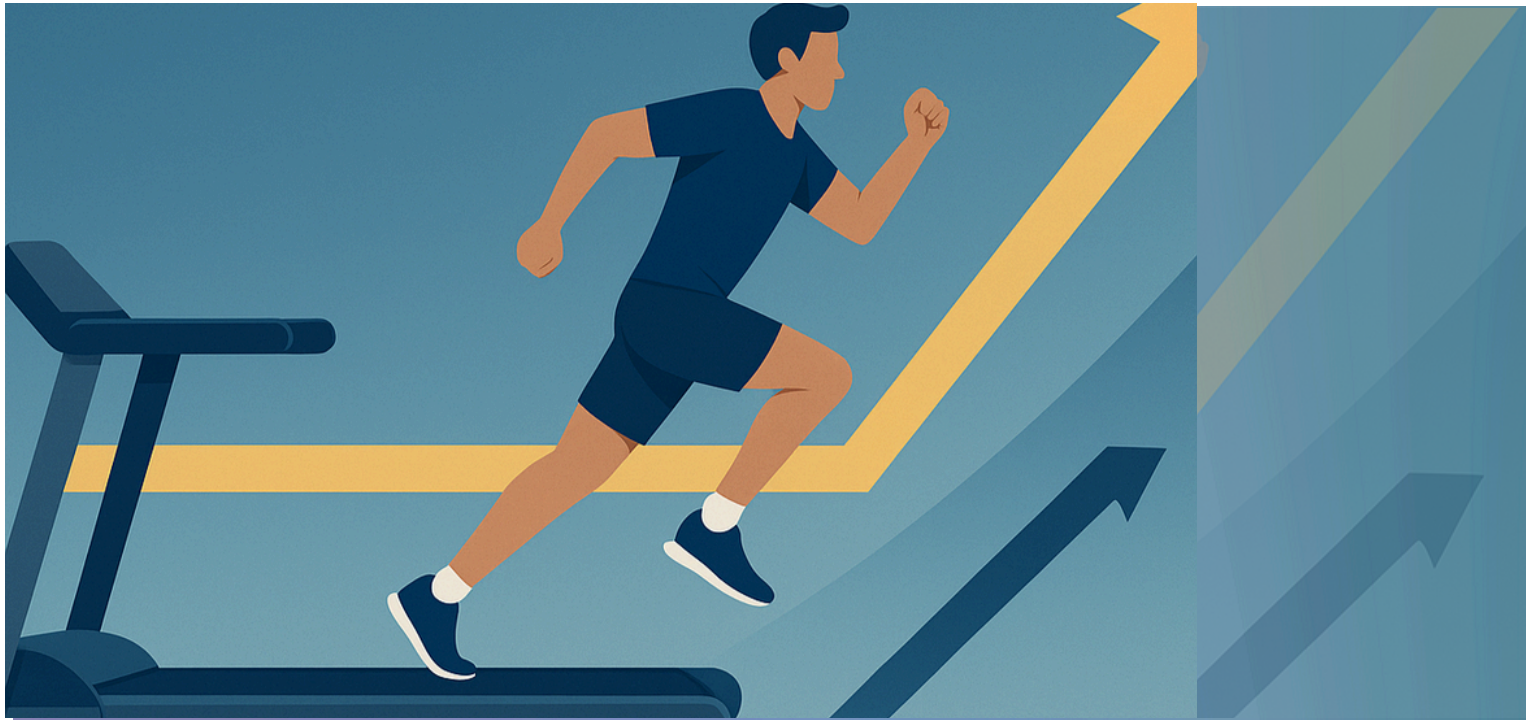




Monthly Newsletter

VALTRUST MOMENTUM



Why Sideways Markets Can Be Healthy

When it comes to Cricket, India is one of the powerhouses. Since 2015 till recently, India won 71% of the matches where there was a result. Yet, in the very recent past, India has lost 72% of the matches it played. It's a reminder that even the strongest teams can go through brief lulls in form.

Post Corona, markets have had a wonderful ride. Yet what is forgotten is the Zero returns in Nifty 50 between October 2021 to June 2023. Nifty peaked out in September 2024 and we are yet to reclaim the highs 11 months later. This period of zero / flat return over time is what is called Time Correction. They are good because they allow the earnings to catch up ensuring that the markets don't get into bubble territory. A period of no return is better than deep cuts that can take years to recover.

The breadth of the market is a good indicator of where we are relatively speaking. In strong bull markets, one often sees the majority of stocks generating returns greater than Nifty 50 over a one year period. The same is reversed in trendless markets. Currently just around 30% of stocks have one year return greater than Nifty 50. While this is not the low we have seen in the past, it provides a comfort that the bottom is closer than the top.

Incidentally, a lot of indicators bottomed out in February. Our portfolios too took a hit during the months of January and February inline with the broader market meltdown and since has seen a very decent recovery.

The current weakness in the market owes to the uncertainty in the business environment thanks to the random application of tariffs. If Indian tariffs don't get down to what our competition is charged, there would be some amount of damage.

The good thing about Systematic strategies such as the one run by Valtrust Momentum is that markets being forward looking, stocks that show weakness are removed periodically reducing the risk of being caught in stocks where the future is uncertain.

Q1 FY26 results showcase that not everything is bad. Lots of companies have been able to grow both in topline and margin. Valuations while a bit higher vs long term averages aren't at the extremes. Fear of a fall especially in these volatile times is easy to argue for, but the best returns are made when investments are done at precisely those times.